



25 Sigourney Street
Hartford CT 06106-5032

STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

PS 2002(3)

POLICY STATEMENT

Sales and Use Tax Exemptions for Sales by Eleemosynary Organizations and Elementary and Secondary Schools

Purpose: This Policy Statement:

- Discusses the sales and use tax exemption for sales of items for \$20 or less made by Connecticut eleemosynary organizations formed to sponsor and support youth activities.
- Discusses the sales and use tax exemption for sales of items for \$20 or less made by any accredited elementary or secondary school for purposes of the school or organized activities of the students enrolled in the school.
- Describes the procedures for the eleemosynary organizations or elementary and secondary schools to purchase items for resale without paying tax under the exemption.
- Discusses the sales and use tax registration requirements for eleemosynary organizations and elementary and secondary schools that are selling items tax-exempt for \$20 or less.
- Provides information about the exemption for sales made by nonprofit organizations and certain governmental agencies at five social or fundraising events of one day's duration during any calendar year as the exemption pertains to elementary and secondary schools and eleemosynary organizations formed to sponsor and support youth activities.

Effective Date: Effective when issued.

Statutory Authority: Conn. Gen. Stat. §12-412(26), Conn. Gen. Stat. §12-412(94), Conn. Gen. Stat. §12-412(1), Conn. Gen. Stat. §12-412(8), and Conn. Gen. Stat. §12-410.

Sales of Items for \$20 or Less: Conn. Gen. Stat. §12-412(26) provides a sales and use tax exemption for sales of items for \$20 or less made by Connecticut

eleemosynary organizations formed to sponsor and support youth activities when the sales are made for purposes of these youth activities. This section also provides a sales and use tax exemption for sales of items for \$20 or less by any accredited elementary or secondary school when the sales are made for purposes of the school or of organized activities of the students enrolled in the school. The exemption applies to both sales of tangible personal property and taxable services. There is no limit on the number of sales that may be made under this exemption.

Eleemosynary Organizations Defined:

Eleemosynary organizations that qualify for exemption under Conn. Gen. Stat. §12-412(26) are nonprofit organizations or charitable organizations, or both, that are formed to sponsor and support youth activities. An organization's documents, such as its articles of incorporation, articles of association, or bylaws, must provide that the organization's primary purpose is to sponsor and support youth activities.

Qualifying organizations include, but are not limited to: Boy and Girl Scouts, parent-teacher organizations, boys' and girls' clubs, Little League, Pee Wee football, 4-H clubs, Campfire Girls, and Junior Achievement.

Sales and Use Tax Registration Requirements:

Eleemosynary organizations, accredited elementary schools, and secondary schools that exclusively sell items for \$20 or less and qualify for exemption under Conn. Gen. Stat. §12-412(26) are not required to register for sales and use taxes.

Eleemosynary organizations, elementary schools, and secondary schools are not required to register for sales and use taxes if the organization or school:

- Exclusively sells items costing \$20 or less; or

- Makes sales of tangible personal property, including meals, at any of five fundraising or social events of one day's duration per calendar year.

See the sections entitled *Sales of Tangible Personal Property at Up To Five Social or Fundraising Events Per Year* and *Purchasing Items to Be Resold Tax-Exempt at Up To Five Social or Fundraising Events Per Year* below.

Purchasing Items To Be Resold Tax-Exempt for \$20 or Less: Eleemosynary organizations and accredited elementary and secondary schools that are not registered and are not required to be registered for sales and use taxes may issue **CERT-136**, *Purchases of Items by Eleemosynary Organizations and Schools That Will Be Resold Tax-Exempt for \$20 or Less*, to retailers to purchase items without payment of tax that they intend to resell tax-exempt for \$20 or less. The organizations or schools may issue a completed **CERT-136** for a single purchase or for a continuing line of purchases.

Eleemosynary organizations and accredited elementary and secondary schools that are registered with DRS as retailers for collection of sales and use taxes may not use **CERT-136**. These organizations may issue a resale certificate to their suppliers to purchase items for resale without payment of tax, including those items they intend to resell tax-exempt for \$20 or less. Resale certificates may be issued for a single purchase or for a continuing line of purchases.

Sales of Tangible Personal Property at Up To Five Social or Fundraising Events Per Year: Nonprofit organizations and governmental agencies may sell tangible personal property, including meals, at five social or fundraising events of one day's duration during any calendar year without charging sales and use taxes. (Conn. Gen. Stat. §12-412(94).) Eleemosynary organizations, elementary schools, and secondary schools qualify for the five one-day fundraising and social events per year exemption. There is no dollar limit on the cost of the tangible personal property sold at the five social or fundraising events under this exemption. (See **Special Notice 98(11)**, *Exemption From Sales and Use Taxes of Sales by Nonprofit Organizations at Fundraising or Social Events*, for more information.)

Purchasing Items to Be Resold Tax-Exempt at Up To Five Social or Fundraising Events Per Year: Elementary schools, secondary schools, and eleemosynary organizations that are not registered or required to be registered for sales and use taxes may purchase tangible personal property for resale at any of the five social or fundraising events per year that are permitted to be exempt from tax under Conn. Gen. Stat. §12-412(94) without paying tax. The organization or school must be exempt from sales and use taxes under Conn. Gen. Stat. §12-412(1) or 12-412(8) as described below:

- The State of Connecticut and any Connecticut political subdivision and their respective agencies are exempt from sales and use taxes on their purchases of tangible personal property and services. (Conn. Gen. Stat. §12-412(1).) A Connecticut public elementary school or secondary school may purchase without paying tax tangible personal property that will be resold at any of the five fundraising or social events permitted to be exempt from tax using **CERT-134**, *Sales and Use Tax Exemption for Purchases by Qualifying Governmental Agencies*.
- If an eleemosynary organization, elementary school, or secondary school (for example a private school) is an organization described in Internal Revenue Code (I.R.C.) §501(c)(3) that holds a valid determination letter from the Internal Revenue Service (IRS), or holds a valid exemption permit issued by the Department of Revenue Services (DRS), the organization is exempt from sales and use taxes on its purchases of tangible personal property and services. The organization or school may purchase without paying tax tangible personal property for resale at any of the five social or fundraising events permitted to be exempt from tax using **CERT-119**, *Certificate for Purchases of Tangible Personal Property and Services by Qualifying Exempt Organizations*.

Eleemosynary organizations, accredited elementary schools, and secondary schools that are registered as retailers for sales and use taxes may use a resale certificate to purchase tangible personal property that they intend to resell tax exempt at any of the five social or fundraising events permitted to be exempt from tax under Conn. Gen. Stat. §12-412(94).

If an eleemosynary organization, elementary school, or school is not exempt from sales and use taxes on its purchases under Conn. Gen. Stat. §12-412(1) or 12-412(8) and is not registered as a retailer for sales and use taxes, it must pay tax on tangible personal

property it sells for more than \$20 at the five social or fundraising events per year permitted to be exempt from tax.

Sales at Social Events or Fundraising Events by Elementary and Secondary Schools: The following are questions and answers about sales of tangible personal property by eleemosynary organizations and elementary and secondary schools at up to five social or fundraising events of one day's duration during any calendar year permitted to be exempt from tax under Conn. Gen. Stat. §12-412(94).

Question 1: Does each school in a Connecticut municipality's public school system receive the benefit of the five one-day social or fundraising exemption, or does the entire school system receive only five social or fundraising events of one-day's duration per year under the exemption?

Answer: Each individual school in a school system qualifies for five fundraising or social events per year. (This applies as well to individual schools within a single university, such as a School of Law, School of Medicine, School of Social Work, etc.)

Question 2: Do proms or senior dinners qualify for any of the five one-day fundraising or social events per year exemption?

Answer: Yes. Proms and school dinners are social events that qualify for any of the five social or fundraising events per year exemption.

Question 3: Do yearbook sales by elementary or secondary schools qualify for any of the five one-day fundraising or social events per year exemption?

Answer: No. Yearbook sales do not fall within the exemption for five one-day fundraising or social events. Most schools accept orders for yearbooks over a period of time, often week or months. The exemption in Conn. Gen. Stat. §12-412(94) applies to sales made at events, not to the ongoing sale of single items such as yearbooks.

Elementary and secondary schools may purchase yearbooks tax-exempt using either **CERT-119** or **CERT-134** with money from their student activity funds, then give the yearbooks to the students. However, if students make direct payments to the student activity funds that are specifically designated for the yearbooks, these are payments for the yearbooks and the school is selling the yearbooks to

the students. If the price of the yearbooks is \$20 or less, the sale is exempt under Conn. Gen. Stat. §12-412(26). If the price of the yearbooks is over \$20, the sale is subject to sales and use tax.

Question 4: Do Parent Teacher Associations (PTAs) and Parent Teacher Organizations (PTOs) generally fall under the elementary school or secondary school's exemption or are they separate entities?

Answer: PTAs and PTOs are separate entities from the schools. They are entitled to exemption from federal income tax under I.R.C. §501(c)(3). If a PTA or PTO receives a determination letter from the IRS stating that it qualifies under I.R.C. §501(c)(3), then it is entitled to make tax-exempt purchases using **CERT-119**. Whether or not they have I.R.C. §501(c)(3) recognition from the IRS, PTAs and PTOs are organizations formed to support youth activities and may sell items costing not more than \$20 without charging sales tax.

PTAs and PTOs also qualify for the five one-day fundraising or social events per year exemption under Conn. Gen. Stat. §12-412(94).

Filing Requirements for Eleemosynary Organizations and Elementary and Secondary Schools: Eleemosynary organizations, elementary schools, and secondary schools that are registered as retailers must file sales and use tax returns. Organizations and schools must file sales and use tax returns on a monthly basis, except that if an organization's or school's total tax liability for the twelve-month period that ended on the preceding September 30 was less than \$4,000, it may file quarterly returns. If an organization or school's total tax liability for the twelve-month period that ended on the preceding September 30 was less than \$1,000, it may file an annual return.

Effect on Other Documents: This Policy Statement supersedes **TSSN-31, Special Notice Eleemosynary Organizations and Accredited Elementary and Secondary Schools**, which may no longer be relied upon.

Effect of This Document: A Policy Statement is a document issued by DRS that explains in depth a current position, policy, or practice affecting the tax liability of taxpayers.

For Further Information: Please call DRS during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day by calling 860-297-4911.

Forms and Publications: Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: **www.drs.state.ct.us**
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.

Paperless Filing Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to electronically file sales and use taxes, business use tax, room occupancy tax, or withholding tax returns over the internet or telephone. Visit the DRS Web site at: **www.drs.state.ct.us** and click on *Business Taxes Fast File Program*.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at: **www.drs.state.ct.us** and click on *Income Tax Web Filing*.

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Issued: 09/15/2002